

SMUD BOARD POLICY

Category: Board-Staff Linkage	Title: Board Internal Auditor Relationship
Date of Adoption: December 19, 2002	Policy Number: BL-3
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	Resolution No. 08-12-10

The Internal Auditor provides independent, objective assurance and consulting services to the Board and management designed to improve the organization's operations.

The Internal Auditor reports to the General Manager for all administrative matters. The Board may provide input into the audit planning process and may require that special projects and reviews be conducted.

The General Manager is responsible for hiring, evaluating, and terminating the Internal Auditor. The General Manager will notify the Board of his or her intention to terminate the Internal Auditor.

The Board, at its discretion, may participate in the Internal Auditor's performance evaluation.

The Internal Auditor shall conduct audit reviews as identified in the annual audit plan and special projects requested by management, General Counsel, or the Board. The work of the auditor shall provide reasonable assurance regarding the achievement of objectives in the following areas:

- a) Adherence to plans, policies and procedures.
- b) Compliance with applicable laws and regulations.
- c) Effectiveness and application of administrative and financial controls.
- d) Effectiveness and efficiency of operations.

- e) Reliability of data.
- f) Safeguarding assets.
- g) Accuracy of the Strategic Direction monitoring reports.

The Internal Auditor in the performance of his or her duties shall have unlimited access to all activities, records, property and personnel of SMUD.

The Board shall receive the results of all audits it requests and all results from the annual audit plan. Audit reports from the annual audit plan will be placed on a Board committee agenda for discussion as an information item. In addition, the Internal Auditor shall inform the Board of the results of any other audit when he or she reasonably determines that the audit indicates a significant financial or operational risk to SMUD. In all cases, reports will be sent to individuals, be it the Board or management, who are in positions to see that action is taken on audit findings and recommendations.

Monitoring Method: Board Report
Frequency: Annual